

# House File 2245 - Enrolled

PAG LIN

HOUSE FILE 2245

## AN ACT

CONCERNING THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND  
THE STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM, AND  
PROVIDING AN EFFECTIVE AND RETROACTIVE APPLICABILITY DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

## DIVISION I

### IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Section 1. Section 97B.1A, subsection 24, paragraph a,  
Code Supplement 2005, is amended to read as follows:

a. "Three-year average covered wage" means, ~~for a member~~  
~~who retires prior to July 1, 2006,~~ a member's covered wages  
averaged for the highest three years of the member's service,  
except as otherwise provided in this subsection. The highest  
three years of a member's covered wages shall be determined  
using calendar years. However, if a member's final quarter of  
a year of employment does not occur at the end of a calendar  
year, the system may determine the wages for the third year by  
computing the average quarter of all quarters from the  
member's highest calendar year of covered wages not being used  
in the selection of the two highest years and using the  
computed average quarter for each quarter in the third year in  
which no wages have been reported in combination with the  
final quarter or quarters of the member's service to create a  
full year. However, the system shall not use the member's  
final quarter of wages if using that quarter would reduce the  
member's three-year average covered wage. If the three-year  
average covered wage of a member exceeds the highest maximum  
covered wages in effect for a calendar year during the  
member's period of service, the three-year average covered  
wage of the member shall be reduced to the highest maximum  
covered wages in effect during the member's period of service.  
Notwithstanding any other provision of this paragraph to the  
contrary, a member's wages for the third year as computed by  
this paragraph shall not exceed, by more than three percent,  
the member's highest actual calendar year of covered wages for  
a member whose first month of entitlement is January 1999 or  
later.

Sec. 2. Section 97B.1A, subsection 24, paragraph c, Code  
Supplement 2005, is amended by striking the paragraph.

Sec. 3. Section 97B.4, subsection 4, paragraph a, Code  
2005, is amended to read as follows:

a. ANNUAL REPORT TO GOVERNOR. Not later than the  
~~fifteenth~~ thirty-first day of December of each year, the  
system shall submit to the governor a report covering the  
administration and operation of this chapter during the  
preceding fiscal year and shall make recommendations for  
amendments to this chapter. The report shall include a  
balance sheet of the moneys in the retirement fund. The  
report shall also include information concerning the  
investment management expenses for the retirement fund for  
each fiscal year expressed as a percent of the market value of  
the retirement fund investment assets, including the  
information described in section 97B.7, subsection 3,  
paragraph "d". The information provided under this paragraph  
shall also include information on the investment policies and  
investment performance of the retirement fund. In providing  
this information, to the extent possible, the system shall  
include the total investment return for the entire fund, for  
portions of the fund managed by investment managers, and for  
internally managed portions of the fund, and the cost of  
managing the fund per thousand dollars of assets. The  
performance shall be based upon market value, and shall be  
contrasted with relevant market indices and with performances  
of pension funds of similar asset size.

Sec. 4. Section 97B.48, subsection 5, Code 2005, is  
amended to read as follows:

5. Effective on such date as the system determines by  
rule, but in no event later than July 1, 2006, if the system  
determines that the ~~accumulated contributions of a member,~~

3 4 lump sum amount payable to a living member who has had a break  
3 5 in service or to a beneficiary of a deceased member, ~~are is~~  
3 6 ~~less than three thousand dollars the current maximum amount~~  
3 7 ~~prescribed by the internal revenue service that may be~~  
3 8 ~~distributed without triggering automatic rollover rights, the~~  
3 9 lump sum amount payable under this chapter shall be paid to  
3 10 the living member or beneficiary in full satisfaction of all  
3 11 rights of the member or beneficiary to receive any payments  
3 12 under the system. For purposes of this section, a "break in  
3 13 service" means twenty consecutive calendar quarters in which  
3 14 no wages are reported to the system. The lump sum payment  
3 15 shall be made within one hundred eighty days after the  
3 16 calendar quarter in which the member completes a break in  
3 17 service or dies, whichever is applicable. A member or  
3 18 beneficiary who receives a mandatory distribution under this  
3 19 subsection shall have sixty days to return the distribution to  
3 20 the system and restore the member's or beneficiary's account.  
3 21 Sec. 5. Section 97B.49C, subsection 1, paragraph c, Code  
3 22 Supplement 2005, is amended to read as follows:  
3 23 c. "Eligible service" means membership and prior service  
3 24 as a sheriff or deputy sheriff under this section. In  
3 25 addition, eligible service includes membership and prior  
3 26 service as a ~~marshal in a city not covered under chapter 400~~  
3 27 ~~or a fire fighter or police officer of a city not~~  
3 28 ~~participating in the retirement systems established in chapter~~  
3 29 ~~410 or 411, and as an airport fire fighter prior to July 1,~~  
3 30 ~~1994 member in a protection occupation as defined in section~~  
3 31 ~~97B.49B.~~  
3 32 Sec. 6. Section 97B.52A, subsection 1, paragraph c, Code  
3 33 Supplement 2005, is amended to read as follows:  
3 34 c. For a member whose first month of entitlement is July  
3 35 2000 or later, the member does not return to any employment  
4 1 with a covered employer until the member has qualified for at  
4 2 least one calendar month of retirement benefits, and the  
4 3 member does not return to covered employment until the member  
4 4 has qualified for no fewer than four calendar months of  
4 5 retirement benefits. For purposes of this paragraph,  
4 6 effective July 1, 2000, any employment with a covered employer  
4 7 does not include employment as an elective official or member  
4 8 of the general assembly if the member is not covered under  
4 9 this chapter for that employment. For purposes of determining  
4 10 a bona fide retirement under this paragraph and for a member  
4 11 whose first month of entitlement is July 2004 or later, but  
4 12 before July ~~2006~~ 2010, covered employment does not include  
4 13 employment as a licensed health care professional by a public  
4 14 hospital as defined in section 249J.3, with the exception of  
4 15 public hospitals governed pursuant to chapter 226.  
4 16 Sec. 7. 2004 Iowa Acts, chapter 1103, section 62, is  
4 17 amended to read as follows:  
4 18 SEC. 62. LICENSED HEALTH CARE PROFESSIONALS == BONA FIDE  
4 19 RETIREMENT REPORT. The Iowa public employees' retirement  
4 20 system and the Iowa hospital association shall each submit a  
4 21 report to the general assembly by ~~December 1, 2006~~ October 1,  
4 22 2009, concerning the costs and effectiveness of the provision  
4 23 of this Act amending section 97B.52A that provides that  
4 24 covered employment, for purposes of establishing a bona fide  
4 25 retirement, does not include employment as a licensed health  
4 26 care professional by a public hospital as defined in section  
4 27 249I.3. Each report shall provide statistics concerning the  
4 28 number of members taking advantage of this provision, the  
4 29 costs and financial benefits, if any, associated with this  
4 30 provision, and recommendations for further action.  
4 31 Sec. 8. EFFECTIVE DATE == RETROACTIVE APPLICABILITY. The  
4 32 section of this Act amending section 97B.48, subsection 5,  
4 33 being deemed of immediate importance, takes effect upon  
4 34 enactment and is retroactively applicable to January 1, 2006,  
4 35 and is applicable on or after that date.  
5 1 DIVISION II  
5 2 STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM  
5 3 Sec. 9. Section 411.1, subsection 12, Code 2005, is  
5 4 amended to read as follows:  
5 5 12. "Member in good standing" means a member in service  
5 6 who is not subject to removal by the employing city of the  
5 7 member pursuant to section 400.18 or 400.19, or other  
5 8 comparable process, and who is not the subject of an  
5 9 investigation that could lead to such removal. A person who  
5 10 is restored to active service for purposes of applying for a  
5 11 pension under this chapter is not a member in good standing.  
5 12 Sec. 10. Section 411.3, subsection 3, paragraph b, Code  
5 13 2005, is amended to read as follows:  
5 14 b. If a person is reemployed, the person shall not become

5 15 an active member of the system upon reemployment, and the  
5 16 person so reemployed and the participating city shall not make  
5 17 contributions to the system based upon the person's  
5 18 compensation for reemployment. A person who is so reemployed  
5 19 shall ~~continue not be eligible to receive the a service~~  
5 20 ~~retirement allowance for the period of reemployment. The~~  
5 21 ~~service retirement allowance shall be reinstated upon~~

5 22 ~~termination of the reemployment, and but the service~~  
5 23 retirement allowance shall not be recalculated based upon the  
5 24 person's reemployment. Notwithstanding section 97B.1A or any  
5 25 other provision of law to the contrary, a person reemployed as  
5 26 provided in this subsection shall be exempt from chapter 97B.

5 27 Sec. 11. Section 411.5, subsection 6, Code 2005, is  
5 28 amended by adding the following new paragraph:

5 29 NEW PARAGRAPH. d. Records containing financial or  
5 30 commercial information that relates to the investment of  
5 31 retirement system funds if the disclosure of such information  
5 32 could result in a loss to the retirement system or to the  
5 33 provider of the information are not public records for the  
5 34 purposes of chapter 22.

5 35 Sec. 12. Section 411.5, Code 2005, is amended by adding  
6 1 the following new subsection:

6 2 NEW SUBSECTION. 15. CLOSED SESSIONS. In addition to the  
6 3 reasons provided in section 21.5, subsection 1, the board may  
6 4 hold a closed session pursuant to the requirements of section  
6 5 21.5 of that portion of a board meeting in which financial or  
6 6 commercial information is provided to or discussed by the  
6 7 board if the board determines that disclosure of such  
6 8 information could result in a loss to the retirement system or  
6 9 to the provider of the information.

6 10 Sec. 13. Section 411.6, subsection 5, paragraph a, Code  
6 11 2005, is amended to read as follows:

6 12 a. Upon application to the system, of a member in good  
6 13 standing or of the chief of the police or fire departments,  
6 14 respectively, any member in good standing who has become  
6 15 totally and permanently incapacitated for duty as the natural  
6 16 and proximate result of an injury or disease incurred in or  
6 17 aggravated by the actual performance of duty at some definite  
6 18 time and place, or while acting pursuant to order, outside of  
6 19 the city by which the member is regularly employed, shall be  
6 20 retired by the system if the medical board certifies that the  
6 21 member is mentally or physically incapacitated for further  
6 22 performance of duty, that the incapacity is likely to be  
6 23 permanent, and that the member should be retired. However, if  
6 24 a person's membership in the system first commenced on or  
6 25 after July 1, 1992, the member shall not be eligible for  
6 26 benefits with respect to a disability which would not exist,  
6 27 but for a medical condition that was known to exist on the  
6 28 date that membership commenced. A medical condition shall be  
6 29 deemed to have been known to exist on the date that membership

6 30 commenced if the medical condition is reflected in any record  
6 31 or document completed or obtained in accordance with the  
6 32 system's medical protocols pursuant to section 400.8, or in  
6 33 any other record or document obtained pursuant to an  
6 34 application for disability benefits from the system, if such  
6 35 record or document existed prior to the date membership

7 1 commenced. A member who is denied a benefit under this  
7 2 subsection, by reason of a finding by the medical board that  
7 3 the member is not mentally or physically incapacitated for the  
7 4 further performance of duty, shall be entitled to be restored  
7 5 to active service in the same position held immediately prior  
7 6 to the application for disability benefits.

7 7 Sec. 14. Section 411.6, subsection 5, paragraph b, Code  
7 8 2005, is amended to read as follows:

7 9 b. If a member in service or the chief of the police or  
7 10 fire departments becomes incapacitated for duty as a natural  
7 11 or proximate result of an injury or disease incurred in or  
7 12 aggravated by the actual performance of duty at some definite  
7 13 time or place or while acting, pursuant to order, outside the  
7 14 city by which the member is regularly employed, the member,  
7 15 upon being found to be temporarily incapacitated following a  
7 16 medical examination as directed by the city, is entitled to  
7 17 receive the member's full pay and allowances from the city's  
7 18 general fund or trust and agency fund until re-examined as  
7 19 directed by the city and found to be fully recovered or until  
7 20 the city determines that the member is likely to be  
7 21 permanently disabled. If the temporary incapacity of a member  
7 22 continues more than sixty days, or if the city expects the  
7 23 incapacity to continue more than sixty days, the city shall  
7 24 notify the system of the temporary incapacity. Upon  
7 25 notification by a city, the system may refer the matter to the

7 26 medical board for review and consultation with the member's  
7 27 treating physician during the temporary incapacity. Except as  
7 28 provided by this paragraph, the board of trustees of the  
7 29 statewide system has no jurisdiction over these matters until  
7 30 the city determines that the disability is likely to be  
7 31 permanent.

7 32 Sec. 15. Section 411.6, subsection 8, paragraph c,  
7 33 subparagraph (3), Code 2005, is amended to read as follows:

7 34 (3) If there is no surviving spouse or child, then the  
7 35 member's dependent father or mother, or both, as the system  
8 1 determines, to continue until ~~remarriage or~~ death.

8 2 Sec. 16. Section 411.6, subsection 9, paragraph b,  
8 3 subparagraph (1), subparagraph subdivision (c), Code 2005, is  
8 4 amended to read as follows:

8 5 (c) If the member's designated beneficiary is the member's  
8 6 dependent father or mother, or both, then to the father or  
8 7 mother, or both, in equal shares, to continue until ~~remarriage~~  
8 8 ~~or~~ death.

8 9 Sec. 17. Section 411.6, subsection 9, paragraph b,  
8 10 subparagraph (2), subparagraph subdivision (c), Code 2005, is  
8 11 amended to read as follows:

8 12 (c) If there is no surviving spouse or child, then to the  
8 13 member's dependent father or mother, or both, in equal shares,  
8 14 to continue until ~~remarriage or~~ death.

8 15 Sec. 18. Section 411.23, Code 2005, is amended by adding  
8 16 the following new subsection:

8 17 NEW SUBSECTION. 3. a. Commencing July 1, 2006, a  
8 18 member's contributions shall be refunded to the member by the  
8 19 system if the following conditions are met:

8 20 (1) The member was a member of the system for less than  
8 21 four years.

8 22 (2) The member terminated service four or more years prior  
8 23 to the date of the refund.

8 24 (3) The amount to be refunded does not exceed five  
8 25 thousand dollars, or such other amount as may be established  
8 26 under section 401(a) of the Internal Revenue Code.

8 27 b. In the event a refund is made in accordance with this  
8 28 subsection without the member's consent, the system shall pay  
8 29 the distribution in a direct rollover to an individual  
8 30 retirement plan designated by the system unless the member  
8 31 elects to have such distribution paid directly to an eligible  
8 32 retirement plan specified by the member in a direct rollover  
8 33 in accordance with section 411.6B or elects to receive the  
8 34 distribution directly. The system may, by rule, implement a  
8 35 de minimus exception to the automatic rollover provision of  
9 1 this subsection, subject to the limitations of the Internal  
9 2 Revenue Code and any applicable internal revenue service  
9 3 regulations.

9 4  
9 5

9 6

9 7 

---

CHRISTOPHER C. RANTS  
9 8 Speaker of the House

9 9

9 10

9 11

9 12 

---

JEFFREY M. LAMBERTI  
9 13 President of the Senate

9 14

9 15 I hereby certify that this bill originated in the House and  
9 16 is known as House File 2245, Eighty-first General Assembly.

9 17

9 18

9 19

9 20 

---

MARGARET THOMSON  
9 21 Chief Clerk of the House

9 22 Approved \_\_\_\_\_, 2006

9 23

9 24

9 25

9 26 

---

THOMAS J. VILSACK  
9 27 Governor